

Tax Tips for Tax Year 2011

(Issued January 2012)

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Tax Tip 1

WHAT'S NEW FOR 2011?

The following changes are discussed in more detail in Publication 17, *Your Federal Income Tax For Individuals*, and the Instructions for Form 1040.

Exemption Amount: The amount you can deduct for each exemption has increased. It was \$3,650 for 2010. It is \$3,700 for 2011.

Standard Deduction Amount: The standard deduction for some taxpayers who do not itemize their deductions on Schedule A of Form 1040 is higher for 2011. The amount depends on your filing status, whether you are 65 or older or blind, and whether an exemption can be claimed for you by another taxpayer. The basic standard deduction amounts for 2011 are: Head of Household — \$8,500; Married Filing Jointly - \$11,600; Qualifying Widow(er)s — \$11,600; Married Filing Separately - \$5,800; and Single — \$5,800.

Alternative minimum tax (AMT): The tax laws provide tax benefits for certain kinds of income and allow special deductions and credits for certain kinds of expenses. The alternative minimum tax (AMT) attempts to ensure that anyone who benefits from these tax advantages pays at least a minimum amount of tax. The AMT is a separately figured tax that eliminates many deductions and credits, thus increasing tax liability for an individual who would otherwise pay less tax. The tentative minimum tax rates on ordinary income are percentages set by law. For capital gains and certain dividends, the rates in effect for the regular tax are used. You may have to pay the AMT if your taxable income for regular tax purposes plus any adjustments and preference items that apply to you are more than the AMT exemption amount. **For 2011, the AMT exemption amount is increased** to \$48,450 for single and head of household taxpayers; \$74,450 if married filing jointly or a qualifying widow(er); and \$37,225 if married filing separately.

Reporting capital gains and losses on new Form 8949: In most cases, you must report your capital gains and losses on new Form 8949. Then you report certain totals from that form on Schedule D (Form 1040).

Foreign financial assets: If you had foreign financial assets in 2011, you may have to file a new Form 8939 with your return. Check [www.irs.gov/form 8938](http://www.irs.gov/form8938) for details.

Foreign Earned Income: The maximum foreign earned income exclusion amount available on Form 2555 or Form 2555-EZ is increased to \$92,900. The housing exclusion and/or deduction floor has increased to \$27,870.00.

Note: If you claim the foreign earned income exclusion or the foreign housing exclusion on Form 2555 or Form 2555-EZ, you must figure your tax using the Foreign Earned Income Tax Worksheet found on page 36 of the 2011 Form 1040 Instruction Booklet.

Schedule L: Schedule L is no longer in use.

Making work pay credit: The making work pay credit has expired. Schedule M is no longer in use.

Tax Tip 2

FILING REQUIREMENTS TAX YEAR 2011

If you are a U.S. citizen or resident alien, the rules for filing income, estate, and gift tax returns and for paying estimated tax are generally the same whether you are in the United States or abroad.

Your type and amount of income, filing status, and age determine whether you must file a U.S. income tax return. Generally, you must file a return if your gross income from worldwide sources (excluding U.S. social security benefits) is at least:

If your filing status is:	AND at the end of 2011 you were:	THEN file if your gross income was at least:
Single	under 65	\$ 9,500
	65 or older	\$10,950
Married Filing Jointly	under 65 (both spouses)	\$19,000
	65 or older (one spouse)	\$20,150
	65 or older (both spouses)	\$21,300
Married Filing Separately	any age	\$ 3,700
Head of Household	under 65	\$12,200
	65 or older	\$13,650
Qualifying Widow(er) with dependent child	under 65	\$15,300
	65 or older	\$16,450

Please refer to the Form 1040 Instructions for further information.

Tax Tip 3

TAX ASSISTANCE

The Internal Revenue Service provides tax assistance through a regional office located at the U.S. Embassy in Paris, France.

Phone: +33 (0)1 43 12 25 55
Monday- Friday, 9:00 am-12:00 pm and 1:30 pm- 3:30 pm
Closed French and American holidays

Fax: +33 (0)1 43 12 23 03

Email: irs.paris@irs.gov

Mail: U.S. Embassy – Internal Revenue Service
2, Avenue Gabriel
75382 Paris Cedex 08
France

Walk-In Assistance: U.S. Embassy
2, Avenue Gabriel
75008 Paris
France
Monday-Friday, 9:00 am-12:00 pm
Closed French and American holidays

Tax assistance can also be obtained by contacting the main International Customer Service Center in Philadelphia.

Phone: +1 (267) 941-1000
Monday through Friday from 6:00 am - 11:00 pm Eastern Standard Time

Fax: +1 (267) 941-1055

Email: <http://www.irs.gov/help/page/0,,id=133197,00.html>

Tax Tip 4

ELECTRONIC FILING

Everyone can e-file, and everyone can e-file Individual tax returns for free

Last year, nearly 100 million taxpayers opted for the safest, fastest and easiest way to submit their individual tax returns — IRS e-file. Since 1990, taxpayers have e-filed nearly 1 billion Form 1040 series tax returns safely and securely. E-file is the norm. And now, with Free File, everyone can file Form 1040 series tax returns for free!



e-file with Free File

If your income is \$58,000 or less, let Free File brand-name software do the hard work for you with free tax preparation and free e-filing. It's available only through IRS.gov, where 20 tax software companies make their products available for free. Some also support state tax returns for free. Go to [Free File](#) to take advantage of this option.

e-file with Free File Fillable Forms

Regardless of income, everyone can use online [Fillable Forms](#), which are an electronic version of the IRS paper forms. This option is best for people who are comfortable preparing their tax returns but want the advantages of fast, secure and free e-filing. Fillable forms do only basic math and do not support state tax returns.



e-file with commercial tax software

[Do it yourself](#). Buy tax preparation software either over-the-counter or online, prepare your own return and press send to e-file. Your return is sent through safe and secure channels, not via e-mail. Prices do vary, so shop around (or use Free File).

e-file through a paid tax preparer

Find a tax professional you trust to prepare and e-file your return. Nearly all tax preparers use e-file now and many are now required by law to e-file. But it's still a good idea to tell your tax preparer you want the advantages of e-file — your refund in half the time, or if you owe, more payment options. Use our tax professional locator to find an [e-file provider](#) near you.

Tax Tip 5

OPTIONS: HOW TO OBTAIN YOUR REFUND

Taxpayers have three options for receiving their individual federal income tax refund: a paper check, direct deposit (electronic funds transfer) into a checking, savings or other account; or a purchase of U.S. Series I Savings Bonds. Taxpayers may request that refunds be directly deposited in up to three separate accounts. The refund must be \$1.00 or more. Form 8888, Direct Deposit of Refund to More Than One Account, will give taxpayers a choice of selecting up to three accounts such as checking, savings and retirement accounts. Note: You cannot have your refund deposited into more than one account if you file Form 8379 (PDF), Injured Spouse Allocation.

If you file a complete accurate tax return, your refund will be issued within six weeks from the received date. If you filed electronically, refund checks will be issued within three weeks after the acknowledgment date. Refunds from amended returns will be issued within 8–12 weeks. Injured spouse claims can take longer, depending on the circumstances. Refer to Topic 203 for more information concerning Injured Spouse Claims.

To check on your refund, go to www.irs.gov and click on "Where's My Refund" or call the Refund Hotline at 800–829–1954. Please allow 72 hours after you electronically file or 3 weeks after you mail your return before using the automated systems. When you call, you will need to provide your Social Security number, your filing status, and the exact whole dollar amount of the refund shown on your return. There are several reasons for delayed refunds. Refer to Topic 303 for a checklist of common errors when preparing your tax return, and for additional items that may delay the processing of your return.

If you receive a refund to which you are not entitled, or one for an amount that is more than you expected, do not cash the check until you receive a notice explaining the difference. Follow the instructions on the notice.

On the other hand, if you receive a refund for a smaller amount than you expected, you may cash the check, and, if it is determined that you should have received more, you will later receive a check for the difference. If you did not receive a notice and you have questions about the amount of your refund, wait two weeks after receiving the refund, then call 800-829-1040.

The IRS will assist you in obtaining a replacement check for a refund check that is verified as lost or stolen.

Tax Tip 6

POSTMARKS

Federal tax returns, claims for refund, and other documents mailed to the Internal Revenue Service are treated as filed on the date of the domestic or foreign postmark.

However, **payments, even payments submitted with tax returns, are not considered as made until the date of actual receipt at IRS rather than the postmark date.** You should take this into consideration when mailing a payment to the Internal Revenue Service in order to avoid late payment penalties and interest charges.

For estimated tax payment purposes, the year is divided into four payment periods. Each period has a specific payment due date. If you do not pay enough tax by the due date of each of the payment periods, you may be charged a penalty even if you are due a refund when you file your income tax return. If a payment is mailed, the date of the U.S. postmark is considered the date of payment. The payment periods and due dates for estimated tax payments are as follows:

<u>For the period:</u>	<u>Due date:</u>
Jan. 11– March 31	April 17
April 1 – May 31	June 15
June 1 – August 31	September 17
Sept. 1 – Dec. 31	January 15 next year

If the due date for making an estimated tax payment falls on a Saturday, Sunday, or legal holiday, the payment will be on time if you make it on the next day that is not a Saturday, Sunday, or legal holiday.

Tax Tip 7

CAPITAL GAINS AND LOSSES

Almost everything owned and used for personal or investment purposes is a capital asset. Examples are a home, household furnishings, and stocks or bonds held in a personal account. When a capital asset is sold, the difference between the basis in the asset and the amount it is sold for is a capital gain or a capital loss. If you received the asset as a gift or inheritance, refer to Publication 551 for information about your basis. You have a capital gain if you sell the asset for more than your basis. You have a capital loss if you sell the asset for less than your basis. Losses from the sale of personal-use property, such as your home or car, are not deductible.

Capital gains and losses are classified as long-term or short-term. If you hold the asset for more than one year before you dispose of it, your capital gain or loss is long-term. If you hold it one year or less, your capital gain or loss is short-term. To determine how long you held the investment property, begin counting on the date after the day you acquired the property. The day you disposed of the property is part of your holding period.

Capital gains and deductible capital losses are reported on new [Form 8949](#) and on [Form 1040, Schedule D](#). If you have a net capital gain, that gain may be taxed at a lower tax rate than the ordinary income tax rates. The term "net capital gain" means the amount by which your net long-term capital gain for the year is more than the sum of your net short-term capital loss and any long-term capital loss carried over from the previous year. Generally net capital gain is taxed at rates no higher than 15%, although, for 2008 through 2010, some or all net capital gain may be taxed at 0%, if it would otherwise be taxed at lower rates. There are three exceptions. See Publication 17 for details.

If you have a taxable capital gain, you may be required to make estimated tax payments. Refer to [Publication 505, Tax Withholding and Estimated Tax](#), for additional information.

If your capital losses exceed your capital gains, the amount of the excess loss that can be claimed is the lesser of \$3,000, (\$1,500 if you are married filing separately) or your total net loss as shown on line 16 of the Form 1040 Schedule D, *Capital Gains and Losses*. If your net capital loss is more than this limit, you can carry the loss forward to later years. Use the Capital Loss Carryover Worksheet in Publication 550, to figure the amount carried forward.

Additional information on capital gains and losses is available in [Publication 550, Investment Income and Expenses](#), and [Publication 544, Sales and Other Dispositions of Assets](#). If you sell your main home, refer to [Publication 523, Selling Your Home](#).

Deemed Sales by Expatriates. If you give up your U.S. citizenship after June 16, 2008, you may be treated as having sold all your property for its fair market value on the day before you gave up your citizenship. This also applies to long-term U.S. residents who cease to be lawful permanent residents. For details, exceptions, and rules for reporting these deemed sales, see Publication 519 and Form 8854.

Tax Tip 8

CHILD TAX CREDIT & ADDITIONAL CHILD TAX CREDIT

For 2011, the child tax credit is maintained at \$1,000 for each qualifying child and the minimum earned income amount used to figure the additional child tax credit is \$3,000. If you were a member of the U.S. Armed Forces who served in a combat zone, your nontaxable combat pay counts as earned income when figuring this credit limit.

You may be eligible for a child tax credit if you have a qualifying child who is (1) under age 17 at the end of 2011 and (2) a citizen or resident of the United States.

However, you must reduce your child tax credit if your modified adjusted gross income (AGI) is above \$110,000 for joint filers, \$55,000 for married taxpayers filing separately, and \$75,000 for single or head of household taxpayers. Publication 972 has more information.

Please refer to the Instructions for Form 1040, Form 8812, and Publication 972 for further information.

Tax Tip 9

RENTAL INCOME AND LOSSES

You must include in income all amounts you receive as rent. Rental income and expenses are entered on Schedule E and net rental income or loss is then carried to the income section of Form 1040.

Most individuals count their rental income as income when it is actually or constructively received, and deduct their expenses as they are paid. Some examples of expenses that may be deducted from your total rental income are depreciation, repairs, and operating expenses. You can recover some or all of your original investment in the rental property (including furnishings) and the cost of capital improvements through depreciation using Form 4562.

Rental losses are subject to various limits under the passive activity and at-risk rules, and excess or non-deductible losses may be carried forward to the following tax year. See Form 8582 and Instructions.

Note that the sale of rental property does not qualify for the preferential tax treatment given to the sale of a main home.

Tax Tip 10

INDIVIDUAL RETIREMENT ACCOUNTS (IRAS)

Due date for contributions and withdrawals: Contributions can be made to your IRA for a year at any time during the year or by the due date for filing your return for that year, not including extensions. Because April 15, 2012, falls on a Sunday and Emancipation Day, a legal holiday in the District of Columbia, falls on Monday, April 16, 2012, the due date for making contributions for 2011 to your IRA is April 17, 2012. There is a 6% excise tax on excess contributions not withdrawn by the due date (including extensions) for your return. You will not have to pay the 6% tax if any 2011 excess contributions are withdrawn by the due date of your return (including extensions).

Modified AGI limit for traditional IRA contributions increased: For 2011, if you were covered by a retirement plan at work, your deduction for contributions to a traditional IRA is reduced (phased out) if your modified AGI is:

- More than \$90,000 but less than \$110,000 for a married couple filing a joint return or a qualifying widow(er),
- More than \$56,000 but less than \$66,000 for a single individual or head of household, or
- Less than \$10,000 for a married individual filing a separate return.

For 2011, if you either lived with your spouse or file a joint return, and your spouse was covered by a retirement plan at work, but you were not, your deduction is phased out if your modified AGI is more than \$169,000 but less than \$179,000. If your modified AGI is \$179,000 or more, you cannot take a deduction for contributions to a traditional IRA. See [*How Much Can You Deduct?*](#) in this chapter.

Tax Tip 11

FOREIGN EARNED INCOME EXCLUSION

If you are living and working abroad you may be entitled to the Foreign Earned Income Exclusion. Here are five important facts from the IRS about the exclusion:

1. **The Foreign Earned Income Exclusion:** United States Citizens and resident aliens who live and work abroad may be able to exclude all or part of their foreign salary or wages from their income when filing their U.S. federal tax return. They may also qualify to exclude compensation for their personal services or certain foreign housing costs.
2. **The General Rules:** To qualify for the foreign earned income exclusion, a U.S. citizen or resident alien must have a tax home in a foreign country and income received for working in a foreign country, otherwise known as foreign earned income. The taxpayer must also meet one of two tests: the bona fide residence test or the physical presence test.
3. **The Exclusion Amount:** The foreign earned income exclusion is adjusted annually for inflation. For 2011, the maximum exclusion is up to \$92,900 per qualifying person.
4. **Claiming the Exclusion:** The foreign earned income exclusion and the foreign housing exclusion or deductions are claimed using Form 2555, Foreign Earned Income, which should be attached to the taxpayer's Form 1040. A shorter Form 2555-EZ, Foreign Earned Income Exclusion, is available to certain taxpayers claiming only the foreign income exclusion.
5. **Taking Other Credits or Deductions:** Once the foreign earned income exclusion is chosen, a foreign tax credit or deduction for taxes cannot be claimed on the excluded income. If a foreign tax credit or tax deduction is taken on any of the excluded income, the foreign earned income exclusion will be considered revoked.

For more information about the Foreign Earned Income Exclusion see Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*, and the instructions for Form 2555 or Form 2555-EZ. Forms and publications are available at IRS.gov.

Note: If you claim the foreign earned income exclusion and/or the housing exclusion or deduction, you must determine the tax on your non-excluded income using the tax rates that would have applied had you not claimed the exclusions by completing the Foreign Earned Income Tax Worksheet on page 36 of the Instructions for Form 1040.

Tax Tip 12

FOREIGN TAX CREDIT

US taxpayers claimed over \$90 billion of foreign tax credits on US individual and corporate tax returns in 2005. Foreign tax credits allow US taxpayers to avoid or reduce double taxation. You may choose to take a deduction for foreign taxes paid instead of choosing a credit. In most cases, it is to your advantage to take foreign income taxes as a tax credit.

Qualifying Foreign Taxes

You can claim a credit only for foreign taxes that are imposed on you by a foreign country or US possession. Generally, only income, war profits and excess profits taxes qualify for the credit.

What Foreign Taxes Qualify For The Foreign Tax Credit?

Generally, the following four tests must be met for any foreign tax to qualify for the credit:

1. The tax must be imposed on you
2. You must have paid or accrued the tax
3. The tax must be the legal and actual foreign tax liability
4. The tax must be an income tax (or a tax in lieu of an income tax)

How to Claim the Foreign Tax Credit

File Form 1116 Foreign Tax Credit to claim the foreign tax credit if you are an individual, estate or trust, and you paid or accrued certain foreign taxes to a foreign country or U.S. possession. Corporations file Form 1118 to claim a foreign tax credit.

Compliance Issues

- The amount of foreign tax that qualifies is not necessarily the amount of tax withheld by the foreign country. If you are entitled to a reduced rate of foreign tax based on an income tax treaty between the United States and a foreign country, only that reduced tax qualifies for the credit.
- If a foreign tax redetermination occurs, a redetermination of your US tax liability is required in most situations. You must file a Form 1040X or Form 1120X. Failure to notify the IRS of a foreign tax redetermination can result in a failure to notify penalty.
- A foreign tax credit may not be claimed for taxes on excluded income.

Tax Tip 13

PAYMENTS & ESTIMATED TAX FOR 2011

Payments

Most international taxpayers, who owe tax on their 2011 tax return, pay by check, money order, or credit card. You cannot pay in cash.

Checks or money orders must be issued in U.S. Dollars and made payable to the “United States Treasury.” Please make sure the following information is included on your check or money order: (a) your Social Security Number or Individual Taxpayer Identification Number (ITIN); (b) the year for which the payment is being made as well as the type of tax return being filed (e.g., Form 1040, 1040-ES, etc.); (c) your name, if it is not clearly listed on the check or money order; and (d) your daytime phone number.

Credit card payments may be made using any major credit card, including Visa, MasterCard, and American Express, through the following providers:

Official Payments Corporation
+1 (800) 272-9829 or
www.officialpayments.com

Link2Gov Corporation
+1 (888) 658-5465
www.pay1040.com

Estimated Tax for 2012

Estimated tax is used to pay tax on income that is not subject to any, or sufficient, withholding. In most cases, you must make estimated tax payments if you expect to owe at least \$1,000 in tax for 2012 (after subtracting your withholding and credits) and you expect your withholding and credits to be less than the smaller of:

1. 90% of the tax to be shown on your 2012 tax return; or
2. 100% of the tax shown on your 2011 tax return if such return covered all twelve months of the tax year.

Exception: You do not have to pay estimated tax for 2012 if you were a U.S. citizen or resident alien for all of 2011 and you had no tax liability for the full 12-month 2011 tax year. You had no tax liability for 2011 if your total tax was zero or you did not have to file an income tax return.

For further information or to pay estimated tax for 2012 and 2013 as a U.S. citizen or resident alien, get IRS Form 1040-ES.

Tax Tip 14

LATE CHARGES, PENALTIES & INTEREST

If you do not file on time and owe tax, you will generally be assessed a late filing penalty of 5% of the tax owed for each month, or part of a month, that your return is late until the return is filed or a maximum 25% penalty is applied. If your return is over sixty days late, the minimum penalty for late filing is \$135 or 100% of the tax owed, whichever is smaller.

If you file on time but do not pay all amounts due, you will generally have to pay a late payment penalty of 0.5% of the tax owed for each month, or part of a month, that the tax remains unpaid from the due date, until the tax is paid in full or a maximum 25% penalty is applied. The 0.5% rate decreases to 0.25% for any month in which an installment agreement is in effect but increases to 1% if tax remains unpaid ten days after the Internal Revenue Service issues a notice of intent to levy.

Furthermore, if you do not pay all amounts due on time, interest is compounded daily and charged on any unpaid tax from the due date of the return (without regard to any extension of time to file) until the date of payment. Interest charged on late payments changes quarterly and has ranged from a high of 9% to a low of 4% during the past several years. Beginning January 1, 2012, the interest rates will be:

- Three (3) percent for overpayments; and
- Three (3) percent for underpayments.

Tax Tip 15

EXTENSIONS TO FILE

Taxpayers generally must file a 2011 tax return by April 17, 2012.

U.S. citizens and residents with tax homes outside of the United States on April 17, 2012, however, are automatically granted a two-month extension to June 15, 2012 to file a tax return. Any tax due though must be paid by April 17, 2012 (or earlier if you are subject to estimated tax) in order to avoid penalties and interest.

To file a later return, taxpayers may request a filing extension to October 15, 2012 by filing Form 4868 before the normal return due date. Those taxpayers living abroad who need an extension to qualify for the bona fide residence test or physical presence test in order to be eligible for a foreign-earned income exclusion on Form 2555, however, should request a filing extension using Form 2350 by the normal due date of their return. Please note that any tax owing must be paid by April 17, 2012 (or earlier if subject to estimated tax) in order to avoid interest and penalties.

Tax Tip 16

INSTALLMENT AGREEMENTS

For those who cannot satisfy all of their tax debt immediately, an installment agreement may be a reasonable option allowing you to gradually make payments on the tax you owe. Installment agreements authorize you to pay tax debt in smaller, more manageable amounts. To be eligible for an installment agreement, you must have filed tax returns and made estimated tax payments as required.

To set up an installment agreement when you owe:

- \$25,000 or less in combined tax, penalties, and interest: use the Online Payment Agreement (OPA) at www.irs.gov, call the number on the bill or notice you received, or complete Form 9465 and mail it to the address indicated on the bill you received.
- More than \$25,000 in combined tax, penalties, and interest: call the number on the bill or notice you received or complete Forms 9465 and 433-F and mail them to the address indicated on the bill or notice you received.

If you enter into an installment agreement, your monthly payment should be based on your ability to pay and should be an amount that you can pay each month to avoid defaulting.

- If you are not able to provide full payment when you file your tax return, you may request a pre-assessment installment agreement on current tax liabilities by using the [Online Payment Agreement \(OPA\)](#) application on the IRS.gov website. You may also submit [Form 9465](#) (PDF), *Installment Agreement Request*, or attach a written request for a payment plan to the front of your return.
- If you are not able to provide full payment after you have filed your tax return and received a bill from the IRS (a balance due notice), you may request an installment agreement using the [Online Payment Agreement \(OPA\)](#) application on the IRS.gov website. You also may submit [Form 9465](#) (PDF), *Installment Agreement Request*, or attach a written request for a payment plan to the front of your return or bill.

Tax Tip 17

IRS NOTICES

If you receive a letter or notice from the IRS, it will explain the reason for the contact and give you instruction on how to handle your problem. If you agree with the changes, there is no need to contact us. If you owe a balance, follow the instructions for sending your payment. If you do not agree, please respond as directed in your notice. You should allow at least 30 days for a response. If you are due a refund and owe no other debts that we are required to collect, you will receive the refund within 6 weeks of the notice date.

If we send you a second letter or notice requesting additional information or providing additional information to you, keep copies with your records.

If you made a payment for which you haven't been given credit, send a copy of the front and back of the check as proof of the payment. If payment was made by money order, you must obtain a copy of the front and back of the canceled money order from the place where the money order was purchased. Never send original documents.

If you contacted us about a lost or stolen refund check, the notice we sent you will tell you what action to take. If you receive a Notice CP-2000 please follow the detailed instructions contained in that notice.

If you make quarterly estimated tax payments, please review your computation. You may need to make changes to the amount of your payments based on the changes we made.

All notices should tell you where to send your reply.

Most correspondence can be handled without calling or visiting an IRS office, if you follow the instructions in the letter or notice. However, if you have questions, call the telephone number that is usually found in the upper right-hand corner of the notice. Have a copy of your tax return and the correspondence available when you call, so your account can be readily accessible.

You may also call the customer service center in Philadelphia at +1 (267) 941-1000.

Tax Tip 18

UNRESOLVED TAX MATTERS

If you have tried to resolve a tax problem but it has not been resolved in a timely manner or if an IRS action is causing you significant hardship, you should contact the International Taxpayer Advocate by:

Phone: +1 (877) 777-4778 or +1 (787) 622-8940

Fax: +1 (787) 622-8933

Mail: Internal Revenue Service
Attn: Taxpayer Advocate Office
San Patricio Office Building, Room 200
7 Tabonuco Street
Guaynabo, Puerto Rico 00966

For further information about the Taxpayer Advocate refer to Publication 1546, the Taxpayer Advocate Service of the IRS, or visit www.irs.gov/advocate.

Tax Tip 19

INDIVIDUAL TAXPAYER IDENTIFICATION NUMBERS (ITINS)

If you are not eligible to receive a Social Security Number but need to file a tax return, you must apply for an Individual Taxpayer Identification Number (ITIN) with Form W-7. An ITIN is issued by the Internal Revenue Service and begins with the number "9." It may look like a Social Security number, but an ITIN is used only for federal income tax purposes and has no effect on your work or immigration status in the U.S.

The procedures for requesting an ITIN are very specific and generally require that your application include a completed and signed Form W-7, a photocopy of your passport which has been certified by a U.S. consular official, and some kind of additional documentation (e.g., tax return, contract, bank or brokerage statement, etc.) proving that you have U.S. income. Please read the Instructions for Form W-7 carefully before requesting an ITIN.

Remember that each person who files a U.S. tax return or is listed as a spousal or dependent exemption on such a return must have a valid Social Security Number or ITIN. Complying with this requirement will ensure prompt processing of the return and issuance of any refund.

Tax Tip 20

FOREIGN BANK ACCOUNT REPORT (FBAR)

American citizens and residents with a financial interest in, or signatory or other authority over, any foreign financial accounts, including bank, securities, and other types of accounts, whose value exceeded \$10,000 at any point during the year must (1) check the “yes” box on line 7a of Schedule B of Form 1040 for such year and also (2) file Form TD F 90-22.1 with the Department of the Treasury on or before June 30th of the following year.

Taxpayers who have accounts with a value of less than \$10,000 during the year or who have assets in a U.S. military banking facility operated by a U.S. financial institution, however, must check the “no” box on line 7a of Schedule B of Form 1040 and do not need to file a TD F 90-22.1.

Failure to file a TD F 90-22.1 as required may result in very severe civil and criminal penalties. Such penalties may be assessed for willful or negligent failure to file, as well as for failing to supply information and for filing a false or fraudulent report.

Civil and criminal penalties, including in certain circumstances a fine of not more than \$500,000 and imprisonment of not more than five years, are provided for failure to file a report, supply information, and for filing a false or fraudulent report. Disclosure of the Social Security number is mandatory. The authority to collect is 31 CFR 103. The Social Security number will be used as a means to identify the individual who files the report.

TD F 90-22.1 should be sent (separately from any tax return) to: United States Department of the Treasury, P.O. Box 32621, Detroit, MI 48232-0621.

For further detail on foreign bank account reporting, please refer to the instructions in the TD F 90-22.1 or www.irs.gov.

Tax Tip 21

FORM W-9 AND FORM W-8BEN

American citizens and residents living overseas are often asked to complete Form W-9 by U.S. (and foreign) financial institutions and other withholding agents to overcome any presumptions of foreign status. Form W-9 is used to confirm that the payee is a U.S. person, his or her Social Security Number or Individual Taxpayer Identification Number is correct, and the payee is not subject to backup withholding due to the failure to report interest and dividend income. Failure to provide a Form W-9 when requested may lead to backup withholding or withholding at the 30% rate typically applied to foreign persons.

Similarly, foreign persons are often asked to complete Form W-8BEN to establish that they are not a U.S. person, are the beneficial owner of certain U.S. income, and claim a reduced rate of U.S. withholding as a resident of a foreign country with which the U.S. has an income tax treaty. Failure to provide a Form W-8BEN when requested may lead to withholding at a 30% rate.

Tax Tip 22

ESTATE AND GIFT TAX

Property owned at the time of death may be subject to federal estate tax, and property given during one's lifetime may be subject to federal gift tax. These taxes, if assessed, are in addition to individual income tax.

For 2011, gross estates of not more than \$5,000,000 and gifts of \$13,000 are not taxable. Estates and gifts exceeding these thresholds may be subject to estate and/or gift tax depending on the status of the decedent or donor (e.g., U.S. citizen vs. foreign national), location of the property, and what U.S. law and any estate and gift tax treaties between the U.S. and foreign countries provide. These limits should be verified at www.irs.gov for up-to-date information due to legislation in Congress that could impact them.

For further information, please refer to Publication 950, Form 706, 706-NA (Estate Tax) or Form 709 (Gift Tax).

Tax Tip 23

RECORDS RETENTION & COPIES OF RETURNS

Once your tax return is prepared, you should keep all receipts, cancelled checks or other proof of payment, and other records to support deductions or credits you claim on your return. The length of time you should keep these records can vary.

Keep items that support an item of income or deduction appearing on a return until the statute of limitations for the return expires, which is:

- Three years from the date you filed the return (or the return due date if you filed a return before the due date) for an assessment of tax, unless fraud or substantial underreporting of income is involved;
- Three years from the date you filed the return (or the return due date if you filed a return before the due date) for filing a claim for credit or refund; or
- Two years from the date you paid the tax, whichever is later.

Records relating to the basis in property should be retained until after you dispose of the property and report any gain or loss.

File Form 4506 to request copies of income tax returns and income source information. There is no cost to obtain tax return transcripts or income source information. There is a \$57 fee per return, however, to obtain copies of actual returns and attachments. If the IRS cannot find a requested tax return, it will refund the fee.

Tax Tip 24

PAST DUE REFUNDS

If you filed your return and are expecting a refund, you can go to “Where's My Refund?” at <https://sa2.www4.irs.gov/irfof/lang/en/irfofgetstatus.jsp> to find out whether the Internal Revenue Service processed and sent your refund.

To determine the status of your refund, you will need to provide the following information as shown on your return:

- Social Security Number (or Individual Taxpayer Identification Number)
- Filing status, (Single, Married Filing Joint Return, Married Filing Separate Return, Head of Household, or Qualifying Widow(er))
- Exact refund amount shown on your return

If you have not received your check within twenty-eight days of the mailing date shown on “Where’s My Refund?”, you can begin a refund trace online. You can also change your mailing address online if “Where’s My Refund” indicates that your refund was returned as undeliverable.